STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company d/b/a Nicor Gas Company	)	
	)	Docket No. 09-0301
Petition for an order re-approving an Agreement for the provision of facilities and services and the transfer of assets between Nicor Gas Company and Nicor Inc. and its subsidiaries	)	

Rebuttal Testimony of

JOHN ERICKSON

Vice President
American Public Gas Association

On behalf of Northern Illinois Gas Company
d/b/a Nicor Gas Company

August 6, 2010

Nicor Gas Ex. 3.0

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I. INTRODUCTION AND SUMMARY OF TESTIMONY

Q. Please state your name and business address.

A. My name is John Erickson. My business address is 201 Massachusetts Avenue, NE, Suite C-4, Washington, DC 20002.

Q. What is your position and by whom are you employed?

A. I am Vice President of the American Public Gas Association ("APGA").

Q. What is the purpose of your testimony?

A. To describe the importance of the services provided under Gas Line ComfortGuard ("GLCG") and to address certain issues raised by Illinois Commerce Commission ("Commission") Staff witness, David Sackett.

Q. What are your conclusions?

A. GLCG is a product offered by Nicor Services Company ("Nicor Services") which provides important safety services to customers. During the time in which the service has been available, GLCG has (1) provided for the removal of more than 20,000 dangerous, uncoated brass appliance connectors; (2) performed more than 65,000 other repairs on customers' gas piping; and (3) conducted more than 11,000 other inspections of customers' facilities. These are very important services. Mr. Sackett's attempt to minimize the value of these services by characterizing the number of customers receiving them as a modest percentage of the customer base is irresponsible. It is particularly surprising that Staff would introduce testimony that takes such an approach. In Commission proceedings addressing very similar customer safety issues, Staff has been sharply critical of parties who attempted to mask the number of customers who would benefit from inspections of indoor piping by characterizing the customers who received the benefit of the inspections as a small percentage of the overall customer base. In the

case of GLCG, nearly 100,000 customers have received inspections and important repairs of hazardous conditions. This is an important and valuable service.

II. QUALIFICATIONS

Q. Please provide information about your educational background.

A. I hold a Bachelor of Science degree in Chemical Engineering from Purdue University and a Masters of Business Administration Degree from The George Washington University.

Q. What professional licenses do you hold?

A. I am a licensed professional engineer.

Q. In what professional organizations have you participated?

A. I am a member, or past member, of the following professional organizations:

- Member, National Society of Professional Engineers;
- Member, Gas Piping Technology Committee ("GPTC") [2005-present];
- Member, GPTC working group on Distribution Integrity Management [2006];
- Member, Pipeline and Hazardous Materials Safety Administration ("PHMSA") working group on Distribution Integrity Management [2005];
- Member, PHMSA Small System Operator Qualification Guide Material Project [2003];
- Member, Plastic Pipe Database Committee [2005-present];
- Member, PHMSA Large Excess Flow Valve Working Group [2009-present];
- Member, API RP 1162 Public Awareness revision working group [2008-present];
- Chair, APGA Safety Committee [2002-2003];
- Past Member, Gas Research Institute Environmental and Measurement Project Advisory Committees;
- Organized US participation on the International Standards Organization Technical Committee on Natural Gas;

- Past Member, National Propane Gas Association Subcommittee on Leak Detection Technology [1990-1996]; and

- Past Member, Natural Gas Council Technology Committee on Natural Gas Composition Standards [1993 and 2005].

Q. What positions have you held in the natural gas industry?

A. I have held the following positions:

American Public Gas Association, Washington, DC [2004-present]

Vice President, Operations, responsible for monitoring/preparing industry-consensus positions and preparing reports on safety, engineering, operations and other technical issues affecting the natural gas industry; providing technical and administrative support for the APGA Operations Committee and its subcommittees; advising APGA's members on the proper application of pipeline safety regulations; and producing engineering reports, conferences, standards and publications related to natural gas design, construction, operations and maintenance.

American Public Gas Association Security and Integrity Foundation, Washington, DC [2007-present]

Chief Operating Officer, responsible for administration of a 501(c)(3) non-profit foundation to promote the security and operational integrity of small natural gas utilities and related distribution and utilization facilities. The Security and Integrity Foundation, funded via cooperative agreements with the Pipeline and Hazardous Materials Safety Administration PHMSA, provides training and operator qualification services; develops integrity management programs; and provides other products and services to assist gas distribution system employees and their contractors to operate and maintain safe and secure gas piping systems.

Safety & Compliance Evaluation, Inc., Springfield, VA [1997-present]

President and founder of SCE, responsible for day-to-day operation of SCE's natural gas system consulting, evaluation and recordkeeping business. SCE provides technical services to natural gas and hazardous liquid pipeline companies including compliance audits; benchmarking studies; expert witness and litigation support; and research. SCE also reviews and prepares operating and maintenance plans, operator qualification plans, emergency plans, public awareness programs, pipeline integrity management plans and other programs required by safety regulations. SCE evaluates individuals' qualifications to perform safety-sensitive tasks and makes these records available to many natural gas companies. SCE is a leading provider of compliance programs for operator qualification regulations.

Retained by the American Public Gas Association in 2003 to provide operations, safety and regulatory review, advice and analysis for APGA's ~650 gas utility members.

Doran & Associates, Springfield, VA [1996-1998]

Vice President, Engineering Services, responsible for performing safety benchmarking studies for gas utilities using Department Of Transportation ("DOT") incident and annual report and other data in a model I developed that calculates the same benchmarks used by state and federal pipeline safety inspectors to target utilities for inspection; producing targeted safety compliance audits focusing on the areas identified by the benchmarking program; reviewing and developing operations, maintenance and emergency plans, operator qualification plans and risk management plans; consulting on accident investigations and litigation involving gas safety; preparing petitions, waivers and other requests to federal and state regulatory agencies; tracking federal regulations; providing company-specific impact analysis of rules; and organizing and conducting in-house training for utility personnel.

American Gas Association, Arlington, VA [1981–1996]:

Manager, Engineering Services Programs, responsible for monitoring and preparing industry-consensus positions and preparing reports on environmental issues affecting the natural gas industry; providing technical and administrative support for various technical committees; and producing engineering conferences, standards and publications related to natural gas design, construction, operations and maintenance.

Promoted to Director, Engineering Services in 1985 with added responsibility for public and occupational safety issues, liaison with the DOT, gas measurement standards, managing contract research projects, developing and controlling the engineering group budget and providing technical review of all association work.

Promoted to Staff Vice President in 1989 with overall responsibility for the engineering group, working with the Board and industry officers to develop and implement association policies; representing the association before regulatory agencies and Congress; speaking at conferences sponsored by member companies, other associations and government; and serving as spokesman to the news media on safety and other technical issues.

Promoted to Vice President in 1991 with additional responsibility for coordinating the association's international committee activities, supporting US participation in the International Standards Organization, launching an on-line information system and creating a new business for engineering standards and reports on CD.

Q. Have you done other work in the natural gas industry?

A. Yes.

Q. What types of work?

A. That work is described in the Curriculum Vitae attached hereto as Attachment A.

Q. Have you testified before legislative and administrative panels concerning natural gas industry issues?

A. Yes.

Q. Please describe that testimony.

A. In the following matters, I:

- Testified as an expert on pipeline safety before the Massachusetts Department of Public Utilities, November 29, 1994, concerning safe methods for abandoning natural gas service lines. I reviewed over 2,500 DOT distribution incident reports in conjunction with this effort.

- Testified as an expert on pipeline safety before the Philadelphia Utilities Board, July 21, 1995, reviewing the pipeline safety risk management plan and capital budget of a natural gas distribution company.

- Testified as an expert on natural gas industry engineering and operations practices before the Oklahoma Corporation Commission, July 9, 1998.

- Prepared testimony for the gas industry for the March 15, 1995 hearing of the House Energy and Power subcommittee considering the Pipeline Safety Act of 1995.

- Testified on the safety of underground storage of natural gas before the DOT at a public hearing in Houston, TX, July 20, 1994.

- Prepared testimony presented before the House subcommittee investigating safety of offshore pipelines, eventually leading to the passage of the Offshore Pipeline Safety Act of 1990, New Orleans, LA, February 26, 1990.

- Prepared testimony on behalf of the gas industry for the July 29-30, 1992 hearing of the National Transportation Safety Board on its investigation of an underground LPG storage facility explosion in Brenham, TX, April 7, 1992.

- Testified at a November 22, 1996 DOT hearing on behalf of a coalition of operators of small-diameter, natural gas pipelines advocating changes in how DOT assesses pipeline safety user fees.

Q. Have you testified as an expert in any legal proceedings?

A. Yes. The matters in which I have testified are listed in the attached Curriculum Vitae.

Q. Have you authored any articles and/or made presentations in the natural gas industry?

A. Yes. Those articles and presentations are also listed in my attached Curriculum Vitae.

III. GAS LINE COMFORTGUARD

Q. Please describe your understanding of the GLCG service.

A. GLCG is a service provided by Nicor Services that will, for a modest price, repair leaks in a customer's exposed gas piping and inspect for and, if necessary, replace non-leaking uncoated brass appliance connectors.

Q. Does GLCG provide an important service to customers?

A. Yes. GLCG provides a very important service to customers.

Q. What material about GLCG did you review in arriving at that opinion?

A. I reviewed the GLCG terms and conditions, a sample of marketing material for the program, and information provided by Nicor Services concerning claims submitted by customers and paid by Nicor Services.

Q. Why is the provision of these services important to customers?

A. GLCG serves an important public interest – safety. Nicor Services' records show that under the GLCG program, Nicor Services has replaced more than 20,000 uncoated brass appliance connectors in the homes of its customers, performed more than 65,000 other repairs, and inspected another 11,000 homes. Repair work and connector replacements are important for the safety of customers. Unremedied, these conditions are very hazardous, as they can result in dangerous gas leaks, fires, and explosions that cause death, injury, and property damage. Because GLCG is available to consumers at a

modest price, it provides a significant incentive for customers to purchase this important service.

I have reviewed the testimony of Gerald O'Connor (Nicor Ex. 2.0) and note his testimony concerning the fact that Nicor Gas does not have a legal duty to: (1) inspect for or repair gas leaks downstream of the gas meter; or (2) inspect for or replace uncoated brass appliance connectors.

As a result, customers must arrange for inspection and repair of their appliance connectors and for repair of leaks on gas piping downstream of the meter. As noted above, through GLCG, Nicor Services has provided these important repairs and inspections to tens of thousands of households. Such limitations on a gas utility's legal duty and responsibility for repair of customer piping and appliance connectors are, in my experience, customary in the gas utility industry.

Q. Is this limitation on legal duty and responsibility for repairs on customer owned facilities observed with regard to other large natural gas utilities under the Illinois Commerce Commission's jurisdiction?

A. Yes. In addition to the matters noted in Mr. O'Connor's testimony concerning Nicor Gas, this limitation on legal duty has been noted in Illinois Commerce Commission proceedings by both Peoples Gas Light and Coke Company ("Peoples") and Commission Staff. In Commission Docket No. 05-0341, the issue concerned Peoples' inspection of that portion of piping and other facilities located within customers' homes on "Peoples' side of the meter" (most often in the case where customers had indoor meters), Peoples' witness, Edward Doerk, testified as follows:

> Q. In the event that Peoples does find a gas leak inside a customer's residence, what does Peoples do?

A. We would repair the leak.

JUDGE HILLIARD: You don't repair a leak in the whole gas service?

THE WITNESS: No. If it was on our piping, we'd repair it. If it was – If we had a call – a customer called for a leak on their piping, we would make it safe by either shutting it off or disconnecting.

MS. VON QUALEN: You agree that Peoples has responsibility for maintaining their natural gas – their natural distribution gas facilities?

A. Yes.

Q. And you just mentioned or you just distinguished between the customers lines and Peoples lines. Where does Peoples responsibility for the lines end?

A. At the outlet of the meter."

(Attachment B hereto, pp. 23-24).

Significantly Staff agreed with this assessment. Staff's witness, Rex Evans, who was the Commission's Pipeline Safety Program Manager, testified that: "[t]he jurisdiction of the gas pipeline operators ends at the outlet of a customer meter." (Attachment C hereto, p. 4) Indeed, Peoples' tariff provides that: "[t]he customer is responsible for addressing [safety] matters related to customer equipment including inspecting the customer's premises for, identifying and remedying such matters. The Company shall have no responsibility to inspect for, identify or remedy any such matters." Ill. C.C. No. 28, First Rev. Sheet No. 25 at 8.

Q. What are "uncoated brass appliance connectors?"

A. Uncoated brass appliance connectors (sometimes known as "Cobra connectors" because the Cobra Metal Tube Company manufactured many of them) were used for many years to attach gas appliances such as ranges and dryers to gas piping in homes and apartments.

These appliance connectors consist of a length of corrugated brass tubing with threaded end-fittings attached to both ends of the corrugated tubing. Photographs of uncoated brass appliance connectors are attached hereto as Attachment D. A gas appliance is connected to the customer's gas supply by screwing one end fitting onto the appliance and the other end fitting to the home's gas piping.

Q. Please explain in more detail the hazards presented by uncoated brass appliance connectors in customers' residences?

A. Uncoated brass connectors are very hazardous. They have a well-documented history of failing in a number of different ways. Over time, the brazing material (or solder) that was used to connect the threaded end fittings to the tubing becomes brittle and fails. The decayed brazed joint may itself leak gas. Sometimes the joint fails completely. In such cases, the tubing separates completely from the end fitting that is attached to the appliance or the home's gas piping, which, in turn, leads to a very large amount of gas leaking into the home very quickly. If left in a home, the joint that connects the end fitting to the tubing in such a connector will fail at some point in time. In addition, the brass tubing in these connectors is subject to breakage and leaking. Over time, the metal tubing, which is often under stress from having the appliance pushed up against a wall, fatigues and cracks. Moreover, connectors on kitchen ranges and dryers are usually found in environments where chemicals from household cleaning agents interact with and corrode the metal tubing. In each of these cases, the connector will eventually fail and permit gas to leak into the home.

Q. What are the consequences when these connectors fail?

A. Dangerous gas leaks. If the connector fails in a manner in which a small amount of gas leaks slowly into a home, there may be time to call for repairs before a fire or explosion occurs – if someone is at home and awake. However, there is a long history of these connectors failing catastrophically (literally falling apart) before any repair could be made, causing fires and explosions. Under the "best" circumstances, these fires and explosions cause only property damage. However, such explosions have resulted in numerous deaths and serious injuries.

The incident involved in the case of *Adams v. Northern Illinois Gas*, which is cited in Mr. O'Connor's testimony, is an apt example of such a catastrophic failure. An uncoated brass appliance connector involved in that case attached the kitchen range to the house piping. There had never been any sign of a problem with the range or connector. While Ms. Adams was out of the house, the joint between the end fitting and tubing simply gave way and the tubing separated from the end fitting. As a result, the house filled with gas while Ms. Adams was out. When she returned home and switched on her living room light, the spark from the light switch ignited a gas explosion that demolished the home and killed Ms. Adams. A photograph of the house taken after the explosion is attached hereto as Attachment E.

Q. Is there much experience in the industry of these connectors failing?

A. Yes. The Adams explosion is hardly unique. The history of connector failures that have led to fires and explosions is unfortunately long. Attached to this testimony is a selection of newspaper stories about fires and explosions that resulted from connector failures. *See* Attachment F. The incidents reported include:

- An explosion in Chicago, Illinois, that killed two people;
- An explosion in Skokie, Illinois, that killed one person;
- An explosion in Aurora, Illinois, that destroyed one house and severely damaged two others;
- An explosion in Lone Tree, Iowa, that killed two people;
- An explosion in Portage, Indiana, that killed one person and injured another;
- An explosion in Skokie, Illinois, that injured nine people; and
- An explosion in Evanston, Illinois, that injured three people.

These press accounts reflect only a selection of the fires and explosions that were caused by connector failures. There have been many, many more incidents involving these connectors in this area and around the country.

Q. How widely were uncoated brass connectors installed in homes and apartments?

A. These connectors were the predominant means of connecting appliances to residential gas piping for many years. Their use is wide-spread. To illustrate the issue, I have attached hereto as Attachment G, a series of reports from the Skokie, Illinois, Fire Department that reflect that department's calls over the course of two years (1982 and 1983) from residential customers who reported gas leaks caused by appliance connector failures. Those reports, which were produced as part of the *Adams* litigation, show 18 calls answered by the Skokie Fire Department to respond to gas leaks from failed connectors in Skokie, including one call to a gas explosion with a fatality. Obviously, this is the experience from just a two-year period in a single Chicago suburb.

Q. Are uncoated brass appliance connectors still manufactured?

A. No. Uncoated brass appliance connectors have not been manufactured since approximately 1980.

Q. Is it still important for customers to have their residences inspected for these connectors?

A. Very much so. As the claims data from the GLCG program show, these dangerous connectors remain installed in many residences throughout this area. Attached hereto as Attachment H is a chart that shows the number of connectors that Nicor Services has removed and replaced each year during the 11-1/2 years in which the GLCG program has been available. During the program, Nicor Services has removed more than 20,000 of these dangerous connectors from the homes of its customers. The pace of removals under the GLCG program remains high. In 2007, 1,295 connectors were removed and replaced; in 2008, 1,692 connectors were removed and replaced, and in 2009, 1,454 connectors were removed and replaced. Removals in 2010 are on pace with removals in the preceding years.

There are a number of reasons why these connectors remain in use. Gas appliances can remain operational for a very long time. As a result, many residences have appliances, such as ranges, that have been in place for decades. In a substantial number of cases, these older appliances continue to be attached to the gas piping with uncoated brass appliance connectors that were installed many years ago. These connectors can also end up in use in newer residences. People often take their gas appliances with them when they move residences. In many cases, they (or their untrained movers) detach the connector from the wall piping and reattach the appliance to the piping in the new residence using the old connector. Moreover, there are reports of uncoated brass connectors appearing for sale in less reputable secondary outlets (flea markets, scrap stores, etc.). Untrained do-it-yourselfers and less reputable contractors

can use these hazardous appliance connectors to attach appliances to piping in newer residences.

Indeed, Nicor Services claims data shows that connectors have been replaced in numerous homes that were built after 1980 (the year in which uncoated brass appliance connectors ceased to be manufactured), including at least one home built only seven years ago.

Q. How have the natural gas industry and governmental agencies responded to these hazards?

A. The American Gas Association ("AGA") is an industry group (at which I worked for fifteen years) whose members are natural gas distribution companies. From the late 1970s to the present, the United States Consumer Product Safety Commission ("CPSC") and the AGA have been in communication concerning the hazards posed by appliance connectors. CPSC has on at least two occasions provided forms of warnings that CPSC asked be sent to AGA member companies for possible distribution to customers. Attached hereto as Attachment I is a 1997 press release from CPSC that includes CPSC's most recent recommended warning.

The key components of that warning are that: (1) some connectors fail causing fires and explosions that result in deaths and injuries; (2) all uncoated brass connectors should be replaced immediately; (3) it is very difficult for a consumer to tell on his or her own whether a connector is dangerous; and (4) only a qualified professional should inspect for and replace connectors (the consumer should never try to perform this task on his or her own).

Indeed, per Nicor Gas' Commission-approved filed tariff (Northern Illinois Gas Company, Ill.C.C. No. 16, 10th Revised Sheet No. 55), Nicor Gas prints such a warning on every bill that residential customers receive from Nicor Gas. A copy of the back of Nicor Gas' bill with that warning is attached hereto as Attachment I.2.

Q. Are new appliance connectors available for purchase at a modest price in hardware and "big box" home supply stores?

A. Yes.

Q. Should cost-conscious customers save money and inspect for and replace bad connectors on their own?

A. No. It would be extremely irresponsible to suggest to a customer that he or she inspect for and replace a connector on his or her own. The CPSC's warning in Attachment I puts it well: "moving an appliance, even slightly whether to clean behind it or to inspect its gas connector, can cause the complete failure of one of these older weakened connectors, possibly resulting in a deadly fire or explosion. **Do not move your appliance to check the connector.**" (emphasis in original). In short, moving an appliance to check the connector can cause a bad connector to break, resulting in a potentially deadly gas leak that consumers are not equipped to handle appropriately.

Q. Customers who know that they do not have uncoated brass connectors can be sure that they do not have a dangerous connector, correct?

A. That is ***not*** correct. As the CPSC's warning notes, even newer connectors can wear out and leak as the result of being moved or bent. Newer connectors, while better than uncoated brass connectors, are also subject to corrosion. The safest practice is to have all connectors inspected regularly by a qualified professional.

Q. How does GLCG address these hazards for customers?

A. GLCG provides a modestly priced service that enables customers to have the connectors inspected by a qualified professional and replaced if they are hazardous.

Q. Aside from appliance connectors, does GLCG provide other services that are important for customers?

A. Yes.

Q. What are those services?

A. Under GLCG, Nicor Services will pay for the cost of repair of exposed customer piping up to $600.00. I have reviewed GLCG claims data and claims paid include repair for items such as replacing leaking customer piping, elbows, unions, valves and other fittings.

Q. Why are they important to customers?

A. As discussed above, Nicor Gas' duty to inspect for and repair defects in customer piping and appliance connectors is very limited. GLCG provides a modestly priced warranty that protects against the cost of such repairs. As reflected in Attachment H hereto, during the time that GLCG has been available, over 65,000 customers have had claims paid by GLCG for such repairs.

Q. Staff witness Sackett criticizes the marketing of GLCG to renters, noting that renters may not be "legally responsible for repairs." (Sackett Dir., lns. 535-36). Do you agree that renters do not need this service because landlords may have a legal duty to inspect and provide safe appliance connectors and pipes?

A. No.

Q. Why would this service be of value to renters?

A. It is irresponsible to suggest that the service is "unnecessary" for renters because landlords may be under a legal duty to inspect connectors and piping. Even the best landlords may be unlikely to undertake these inspections with qualified contractors. There are, of course, no shortage in this area of landlords who fail in meeting even the most basic duties of providing heat and water, let alone inspections by qualified contractors of appliance connectors attached to older appliances in their leased premises.

It is of little comfort after a fire or explosion at a leased premises that the landlord was under a "legal" duty to have had the appliance connectors inspected and replaced. Indeed, the premises involved in the *Adams v. Northern Illinois Gas Company* was a home that the decedent rented. Another case in which I have testified involved the death of a renter in the Iowa-Illinois Gas and Electric Company service territory caused by an explosion in the leased premises that resulted from gas that leaked from a failed uncoated brass appliance connector. In both cases, the landlord did not arrange for inspections and replacement of the uncoated brass connectors. Those connectors were present in the rented premises, failed, and caused gas explosions that led to deaths.

GLCG provides renters whose landlords do not satisfy this "legal duty" with a modestly priced means of having their leased premises inspected by a qualified contractor.

Q. Is there any misinformation in the marketplace about the hazards that GLCG addresses?

A. Yes. Information published by the Citizens Utility Board ("CUB") about these hazards can range from misleading to irresponsible.

For example, CUB's September 2008 *CUBFacts* Newsletter (attached hereto as Attachment J, and available on CUB's website at *http://www.citizensutilityboard.org/pdfs/ConsumerInfo/20070116_NaturalGasRulesToLiveBy.pdf*) states that "if the old brass connectors have already been replaced in your home, ***the new plastic connectors should last a lifetime***." (***emphasis added***). First, plastic connectors are not even suitable for use with natural gas appliances. Second, ***no*** connectors last a lifetime. As noted in the CPSC's warning described earlier in my testimony, even newer connectors wear out over time and with use. The suggestion that customers can use "plastic connectors" and be assured that any connector lasts a lifetime is just plain dangerous.

Likewise, the discussion in CUB's website section entitled "Seven Myths About Your Gas Bill" (attached hereto as Attachment K, and available on CUB's website at *http://www.citizensutilityboard.org/ciNaturalGas_WinterSurvivalGuide.html*) states that "your gas utility investigates possible gas leaks for FREE. There's no need to have a maintenance plan." (emphasis in original). This statement is misleading because it fails to inform the reader that, while the gas utility does "investigate" leaks without charge, the utility does in fact charge time and material to permanently ***repair*** a leak that is found on the customer's piping or appliance connector. Such repairs are covered by GLCG. In addition, GLCG provides inspections of customer piping to identify and replace faulty piping before a leak occurs. So the "free" investigation of gas leaks provided by the utility is not comparable to the GLCG inspection services.

This same website section also states that GLCG "is not for renters, since repairs should be the responsibility of a landlord." As I noted above, reliance on landlords to discharge this responsibility has, in some instances, proved fatal to the renter.

Q. How does the existence of GLCG benefit the public in countering this dangerous misinformation?

A. GLCG provides for inspection and replacement of hazardous connectors and repair of gas leaks on the customer's exposed gas piping by qualified professionals for a modest price.

Q. Have any of the Intervenors in this proceeding recognized or admitted that GLCG provides a valuable service to customers?

A. Yes. Ironically, the September 2008 *CUBFacts* Newsletter (Attachment J hereto) concedes that for those "whose homes have potentially dangerous uncoated brass connectors installed before 1980 [GLCG] may be helpful."

Q. Do you agree with Staff witness, David Sackett's assertion that GLCG does not provide a service that is legitimately necessary?

A. No. Inspecting for and replacing uncoated brass appliance connectors and repairing gas leaks on customer piping is a very necessary service.

Q. Do you have further comments about Mr. Sackett's assertions concerning whether GLCG is legitimately necessary?

A. Yes. Several of the arguments Mr. Sackett advances in his effort to characterize the benefits that GLCG as minimal are simply irresponsible.

Mr. Sackett says that by his calculation only 2% of GLCG customers have submitted claims and that many leak repairs are minor. Mr. Sackett's statement is misleading and mischaracterizes the importance of these repairs. As I noted earlier in my

testimony, GLCG service has provided for the removal of ***20,000*** extremely dangerous uncoated brass appliance connectors from customer residences. These connectors would have failed over time. The history of death, injury, and property loss that occurs when they fail is indisputable. Mr. Sackett's suggestion that the GLCG is not legitimately necessary because it prevented only ***20,000*** such possible tragedies is simply irresponsible. The same is true of the 65,000 leak repairs performed under GLCG, many of which Mr. Sackett characterizes as "minor" repairs. When one is dealing with gas piping, even "minor" leaks can have very tragic consequences.

I am particularly surprised that such reckless arguments would be advanced in testimony submitted on behalf of Commission Staff. In Commission Docket No. 05-0341, to which I referred earlier in my testimony, Staff sharply criticized the line of argument advanced by Mr. Sackett.

The issue in Docket No. 05-0341 was whether the Commission should fine Peoples Gas for failing to comply with the regulatory requirement to perform leak inspections every five years on Peoples' piping that was located inside customers' homes. As noted above, in cases where a customer has an indoor meter, the indoor piping leading to the meter belongs to the utility and the piping after the outlet of the meter belongs to the customer. That proceeding is quite relevant here because the physical characteristics of the indoor piping going into and out of a customer's indoor meter are often identical and the environment is obviously the same. Indeed, the only difference, in most cases, is that the length of indoor piping for which the customer is responsible is usually much greater than the short stretch of indoor piping on the "utility's side" of the meter.

Taking the same tack that Mr. Sackett employs here to minimize the benefit of GLCG, Peoples attempted to minimize the consequences of its failure to meet the regulations by noting that only 0.6% of the indoor leak surveys showed any leak and that most leaks identified were "minor." Staff flatly rejected this position.

Staff's Pipeline Safety Program Manager, Rex Evans, testified as follows:

> **Q. On lines 15-16 of the rebuttal testimony of Edward Doerk he indicated that "The Company has found evidence of gas leaks in less than 0.6% of the inspections completed since January 2000". What is the number of leaks that this represents?**
>
> A. According to information provided by Peoples, Peoples has found 2,688 leaks during the required leakage surveys since January 2000. I find this to be a significant number of leaks. ***From a safety perspective, it is irresponsible to attempt to minimize the significance of nearly 2,700 natural gas leaks inside residential buildings in Chicago***."

Attachment L, p. 2 (emphasis supplied)

Mr. Evans also testified that "it is inappropriate to minimize the importance of ***any*** leaks by calling them 'minor.'" *Id.*, p. 4. (emphasis supplied)

Staff's Initial Brief in that proceeding stated that ""[n]atural gas is an explosive and dangerous substance . . . any accumulation of natural gas must be considered hazardous. Peoples' failure to conduct the required inside leakage surveys at least every five years is a grave violation which could result in grim consequences."

Attachment M, pp. 5-6.

Staff's Reply Brief countered the sorts of arguments that Mr. Sackett advances here even more directly: "Peoples defends its position that the failure to perform the required inside leakage surveys is not a grave offense by stating that Peoples 'did not create an actual safety threat for its customers', that 'evidence of gas leaks were found in

less than 0.6%' of leakage surveys conducted since January 2000 and that the failure to conduct the survey is 'not an *actual* safety threat' but 'a *potential* harm.' [A]ny accumulation of natural gas must be considered hazardous and leak investigation is one of the most important phases of gas service work. To argue that 2,688 "minor" leaks do not raise a concern and reflect only a potential harm disregards the indisputable fact that natural gas is a highly volatile substance and that the potential harm in question is an explosion which, in a residence, would surely result in great loss of property and likely result in loss of life. That potential harm is gigantic and unacceptable."

Attachment N, pp. 7-8 (emphasis in original, internal citations omitted)

Q. What was the Commission's decision in that docket?

A. The Commission adopted Staff's position and imposed a $500,000 penalty on Peoples for failing to inspect the indoor piping. *See* Attachment O attached hereto.

Q. Do you agree with Mr. Sackett's suggestion that the decision in the Illinois American Water Company matter should provide guidance in this docket?

A. No.

Q. Why not?

A. Leaking gas pipes present vastly different hazards than leaking water pipes. I suppose that one could concoct a scenario in which a leak in a water pipe could lead to a death or serious injury, but I have never heard of it happening. However, leaking gas pipes are another matter entirely. Staff's Initial Brief in Docket No. 05-0341 put it well: "explosions and fires are predictable consequences of gas leaks and, loss of life or property are likely consequences of residential explosions and fires." Attachment M,

p. 6. The Illinois American Water Company matter is not an apt matter to provide guidance here.

IV. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes.